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Message Text

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PAGE 01 TOKYO 12286 201015Z

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ACTION EB-11

INFO OCT-01 EUR-25 EA-11 ISO-00 TRSE-00 FEA-02 SP-03

AID-20 NSC-07 RSC-01 CIEP-03 SS-20 STR-08 OMB-01

CEA-02 CIAE-00 COME-00 FRB-03 INR-11 NSAE-00 XMB-07

OPIC-12 LAB-06 SIL-01 DODE-00 PA-04 USIA-15 PRS-01

DRC-01 L-03 H-03 /182 W
---------- 086938
R 200900Z SEP 74
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC 4725
INFO AMEMBASSY BERN
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY CANBERRA
AMEMBASSY THE HAGUE
AMCONSUL HONG KONG
AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY SEOUL
AMEMBASSY STOCKHOLM
USMISSION EC BRUSSELS
USMISSION OECD PARIS

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PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A
TAGS: EFIN, JA
SUBJECT: RECENT STRENGTHENING OF YEN; A REVIEW

REF: A. TOKYO 11847; B. TOKYO 12037
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PAGE 02 TOKYO 12286 201015Z

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

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1. SUMMARY: RECENT STRENGTHENING OF YEN ON TOKYO FOREX MARKET WAS PRECIPITATED BY NEWS REPORTS OF OIL-DOLLAR INFLOWS. HOWEVER, RATE MOVEMENT ALSO APPEARS TO REFLECT SOME BASIC AND TECHNICAL FORCES ACTING TO PUSH YEN UPWARD. END SUMMARY.

2. YEN HAD BEEN UNDER PRESSURE THROUGH MOST OF AUG AND FIRST WEEK OF SEPT WITH BOJ INTERVENING ACTIVELY AT CERTAIN TIMES TO MEET DOLLAR DEMAND. DURING WEEK SEPT 9-13, BOJ MAINTAINED RATE AROUND 302.65 BY SELLING $100 MIL ON MONDAY AND AGAIN ON WEDNESDAY, SEPT 11. WITH THREE-DAY HOLIDAY DUE AT MID-MONTH, A HEAVY FOREX DEMAND WAS ANTICIPATED FRIDAY, SEPT 13. HOWEVER, APPEARANCE IN THURSDAY A.M. NEWSPAPER WITH LEAD ARTICLE INDICATING FLOW OF OIL DOLLARS TO JAPAN (REF A NOTAL) PROMPTED ABRUPT STRENTHENING OF YEN. FRIDAY NOON RELEASE OF BOP FIGURES FOR AUG SHOWING CURRENT ACCOUNT SURPLUS FOLLOWED BY TUESDAY NEWS STORY OF GOJ BORROWING FROM MIDEAST COUNTRY (REF B NOTAL) CONTRIBUTED TO EVEN FURTHER IMPROVEMENT IN MARKET ATMOSPHERE DURING THIS WEEK.

2. BOJ SOURCE POINTS TO THREE FACTORS CONTRIBUTING TO SWIFT APPRECIATION IN YEN AS MARKET PSYCHOLOGY SHIFTED: (A) TRADING FIRMS AND OTHER EXPORTERS HAD DEFERRED SELLING THEIR EXPORT BILLS HOPING FOR FURTHER DOLLAR APPRECIATION; (B) SOME FOREIGN BANKS FORMALLY ACTIVE IN FORWARD MARKET SOLD DOLLARS SPOT AS YEN STRENGTHENED; (C) AUG AND SEPT ARE USUALLY MONTHS WHEN DOLLAR DEMAND IS STRONG. WHEN NEWS ARTICLES MADE IT CLEAR THIS PERIOD WOULD PASS WITHOUT FURTHER YEN DECLINE, MAJOR DOMESTIC BANKS ALONG WITH TRADING COMPANIES SOLD DOLLARS SPOT.

3. FOLLOWING ARE DETAILS OF RECENT MARKET ACTIVITY (BY DAYS) WEEK OF SEPT 9-13 (MONDAY-FRIDAY): REPRESENTATIVE (I.E. MODAL) SPOT RATE (YEN/DOLLAR) 302.65; 302.60; 302.45; 300.85; 302.10. THREE-MONTH FORWARD RATE (AS ANNUAL PERCENT DOLLAR PREMIUM) 1.519; 1.321; MINUS 0.066; 0.465; 0.796. SIX-MONTH FORWARD RATE (AS ANNUAL PERCENT DOLLAR PREMIUM) 1.252; 1.242; 0.872; 0.897; MINUS 0.264. WEEKLY VOLUME IN MIL DOLLARS 387 SPOT, 516 FORWARD, AND 287 SWAP. WEEK OF SEPT 17-20 (TUESDAY-FRIDAY) REPRE-
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PAGE 03 TOKYO 12286 201015Z

SENTATIVE SPOT RATE 298.50; 296.00; 296.40; 296.30. THREE-MONTH FORWARD RATE AS ANNUAL PERCENT DOLLAR PREMIUM MINUS 0.670; FLAT; MINUS 0.202; MINUS 0.134. SIX-MONTH FORWARD RATE AS ANNUAL PERCENT DOLLAR PREMIUM MINUS 1.273; 0.743; 0.607; 0.809. WEEKLY VOL IN MIL DOLLARS WAS SPOT 300, FORWARD 515, SWAP 289. SHOESMITH

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Message Attributes

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